

PRESS CLIPPING

DATE : OCTOBER 1, 2019
MEDIA : THE SUN DAILY
SECTION : SUNBIZ
PAGE : FRONT PAGE
COLOUR : FULL COLOUR
EXPOSURE VALUE : TO BE DETERMINED

LTAT: No element of crime in financial irregularities

➤ Armed Forces Fund Board chairman says discrepancies are due to 'mismanagement'

■ BY **EE ANN NEE**
sunbiz@thesundaily.com

KUALA LUMPUR: The slew of financial irregularities revealed in the Armed Forces Fund Board (LTAT) are deemed "mismanagement" rather than criminal intent, said LTAT chairman Gen (R) Tan Sri Dr Mohd Zahidi Zainuddin.

"In our deliberations, it's a mismanagement, and this mismanagement has come out with numbers that were not properly accounted for. When we commissioned Messrs Ernst & Young to do the audit, these are discrepancies that we found, which are not criminal, but mismanagement that has taken place and we are here to correct that," he told a press conference after announcing LTAT's dividend for the financial year ended Dec 31, 2018 (FY18) yesterday.

He said if further investigations reveal any criminal element or misconduct that requires action to be taken, LTAT will refer it to the appropriate authorities.

Last week, LTAT's independent accounting firm Ernst & Young unearthed several instances of "financial irregularities and weaknesses" for FY17 and FY18.

LTAT chief executive Nik Amlizan Mohamed cited an example of mismanagement in which the income from land



Zahidi (left) and Nik Amlizan at the press conference yesterday. - **NORMAN HIU/THESUN.**

sales was used to pay dividends.

"No entity should pay dividends without the funds to do so. In 2016, RM238 million was taken when it should not have because the sale was not completed then. It was a substantial amount," she explained.

Nik Amlizan said she came on board LTAT on Oct 1, 2018 and, since then, there have been many discoveries followed by measures that it has had to undertake to ensure that LTAT moves forward on the right footing sustainably.

LTAT has embarked on a transformation plan which consists of six main pillars encompassing LTAT's new vision and mission, strengthening corporate governance, enhancing strategic stakeholder management, enhancing sustainable investment returns, improving infrastructure and building talent

management.

"We want to move forward. It's challenging to get returns for the soldiers. If possible, we don't want to take too much time to look into the past. The assessment (by Ernst & Young) is to help the new management to restore the organisation," said Nik Amlizan.

Under the corporate governance pillar, it has established a risk board and set up a legal and secretarial department, human resources department and introduced compliance unit as part of risk management department, as well as reintroduced the enterprise risk management framework.

In terms of investment portfolio, she said, LTAT's new chief investment officer is reviewing the asset allocation strategy and such implementation can only be ready next year.

"We need to introduce fixed

income. We never have an investment in MGS (Malaysian Government Securities). It's a natural asset allocation in any government pension fund. ESG (environmental, social and governance) is something we strongly believe in."

Nik Amlizan opined that it is premature to discuss asset disposals at this point as all assets under LTAT are considered investments and it has no intention of selling any of its assets now.

Meanwhile, Nik Amlizan admitted that LTAT's exposure to Boustead Holdings Bhd is high and is not reflective of best practices from investment policies and structure as it cannot be reliant on one or two investments to make its returns.

However, she said it will not rush into making "irresponsible decisions" as there is still deep value in Boustead.

PRESS CLIPPING

DATE : OCTOBER 1, 2019
MEDIA : THE SUN DAILY
SECTION : SUNBIZ
PAGE : FRONT PAGE
COLOUR : FULL COLOUR
EXPOSURE VALUE : TO BE DETERMINED

LTAT declares record low dividend of 2% for FY18

KUALA LUMPUR: The Armed Forces Fund Board (LTAT) has declared its lowest-ever dividend of 2% for the financial year ended Dec 31, 2018 (FY18) as its unaudited net profit fell 51.9% to RM221 million for FY18 compared with the restated net profit of RM459.5 million for FY17.

LTAT chairman Gen (R) Tan Sri Dr Mohd Zahidi Zainuddin said the significant decline for FY18 was a result of various factors dating back two financial years, such as restatement of FY16 and FY17 accounts, overpayment of dividends for

FY16 and FY17, impact to retained earnings, negative impact from MFRS implementation and outstanding dividend from subsidiaries not received.

"I was the chief of defence forces for six years and four months 14 years ago and I'm truly emotional on what happened to LTAT," Zahidi said at a press conference yesterday.

"It never gives me that pleasure to announce a 2% dividend for the soldiers. I wished I could have announce a higher dividend; however that cannot be the case, which is

much better than paying dividends we cannot afford to pay," said Zahidi.

LTAT's dividend rates announced in FY13 to FY16 ranged from 12% to 16%, but as a different base was used in calculating the dividends, previous dividends rates have been affected. When normalised, its dividends for FY13 to FY16 fell to 7.99% to 10.66%.

"From 2015 to 2016, the (normalised) dividend rate was about 8% ... it is no where near the double-digit returns of what was announced," said LTAT chief executive Nik Amlizan

Mohamed.

However, LTAT is committed to generating sustainable dividends for members of the armed forces.

Coupled with its FY18 net income of RM221 million, LTAT registered a positive retained earnings of RM38.7 million for FY18 compared with accumulated losses of RM170.8 million for FY17.

"While there have been various adjustments to our books, our assets remained intact," Nik Amlizan said, adding that LTAT's total assets stood at RM9.4 billion.